

Message Text

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C O N F I D E N T I A L MOSCOW 07743

E.O. 11652: GDS
TAGS: MASS, EGEN, UR, PE
SUBJECT: SOVIETS AGREE TO DEBT RELIEF FOR PERU

REF: LIMA 3065 (NOTAL)

1. ON APRIL 12, EMBOFF DISCUSSED WITH PERUVIAN EMBASSY
MINISTER COUNSELOR FORTUNATO ISASI CAYO THE RECENTLY CON-
CLUDED VISIT TO MOSCOW OF PERUVIAN GENERAL RICHTER PRADO.
ISASI NOTED THE FOLLOWING POINTS:

-- GENERAL RICHTER'S PUBLIC COMMENTS UPON HIS RETURN TO
LIMA (REFTEL) WERE, OF COURSE, ACCURATE. THE SOVIETS DID
AGREE TO DEBT RELIEF FOR THE NEXT THREE YEARS. THE AMOUNTS
DUE IN 1978, 1979, 1980 ON EXISTING CONTRACTS WILL BE POST-
PONED FOR PAYMENT UNTIL THE CONCLUSION OF THE LAST PAYMENT
PERIOD FOR THESE CONTACTS - 1986. IN OTHER WORDS, THE
1978-80 PAYMENTS WILL BE MADE IN THE 1987-89 PERIOD.

-- NO CONDITIONS OF ANY SORT WERE ATTACHED TO THIS DEBT
RELIEF AND, IN FACT, WERE NOT EVEN DISCUSSED. THERE WAS NO
DISCUSSION OF ADDITIONAL ARMS SALES TO PERU. THERE WAS NO
DISCUSSION OF THE INTERNAL POLITICAL SITUATION IN PERU NOR
OF THE POLICIES OF OTHER COUNTRIES, FOR EXAMPLE, CHILE.

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THE PERUVIANS DID, OF COURSE, DESCRIBE THE DIFFICULT ECO-
NOMIC SITUATION IN WHICH THE COUNTRY FINDS ITSELF.

-- THE SOVIETS WERE TOUGH AND THE TALKS WERE "NOT EASY",
BUT THE SOVIETS, AS RESULTS SHOW, WERE NOT UNSYMPATHETIC
TO PERU'S REAL DEBT PAYMENTS PROBLEM (AT MOMENT PERU SPENDS
60 PERCENT OF ITS EARNINGS ON DEBT REPAYMENT).

-- SKACHKOV, THE CHAIRMAN OF THE SOVIET AID ORGANIZATION GKES, LED THE SOVIET SIDE. HE PROVED TO BE A DOUR, HARD, TOUGH NEGOTIATOR. THE SOVIETS SEEMED UNEASY ABOUT THE PUBLICITY WHICH WOULD RESULT FROM THE VISIT AND ABOUT THE PRECEDENT WHICH THE SOVIET GRANT OF DEBT RELIEF MIGHT GIVE TO THEIR OTHER DEBTORS.

-- PERU, ON ITS PART, HOPES THAT THE SOVIET EXAMPLE WILL ENCOURAGE OTHER CREDITORS -- ESPECIALLY THE IMF -- ALSO TO GRANT DEBT RELIEF.

2. COMMENT: ISASI, WHO ATTENDED ONLY ONE OF NEGOTIATING SESSIONS, SEEMED DELIBERATELY EVASIVE AND WAS RELUCTANT TO GO INTO DETAIL ABOUT THE TALKS. HE PROFESSED NOT TO KNOW, FOR EXAMPLE, WHETHER THE DEBT RELIEF MEANT RELIEF FROM PAYMENT OF THE PRINCIPAL ONLY OR ALSO INCLUDED AWTWST-PONEMENT OF THE INTEREST. HE HINTED THAT THE FORMER WAS THE CASE BY SAYING THAT PERU WOULD CONTINUE TO PAY A SMALL AMOUNT EACH YEAR DURING THE 1978-80 PERIOD. IF, FOR EXAMPLE, SAID ISASI, PERU WAS PAYING \$100 MILLION EACH YEAR, THEN IT WILL NOW BE PAYING ONLY \$10 MILLION; BUT THIS, HE WENT ON, "MAY" REPRESENT CONTINUED PAYMENT ON A CONTRACT WHICH WAS NOT COVERED BY THE TERMS OF THE DEBT RELIEF PACKAGE. TOON

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